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12 February 1958

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CENTRAL INTELLIGENCE BULLETIN



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I. THE COMMUNIST BLOC

Chou En-lai's resignation as foreign minister leaves his political strength unimpaired.

USSR propaganda condemns French attack on Tunisian village.

Areas of reported peasant resistance in eastern Rumania still closed to Western observers.

II. ASIA-AFRICA

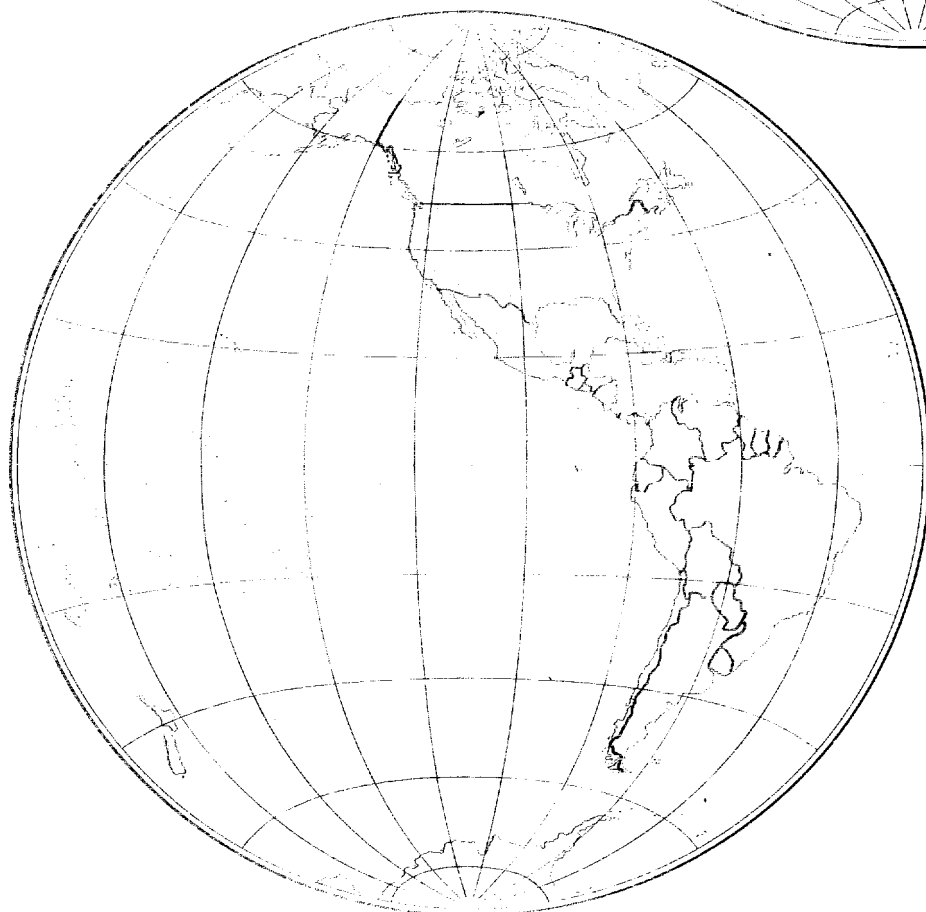
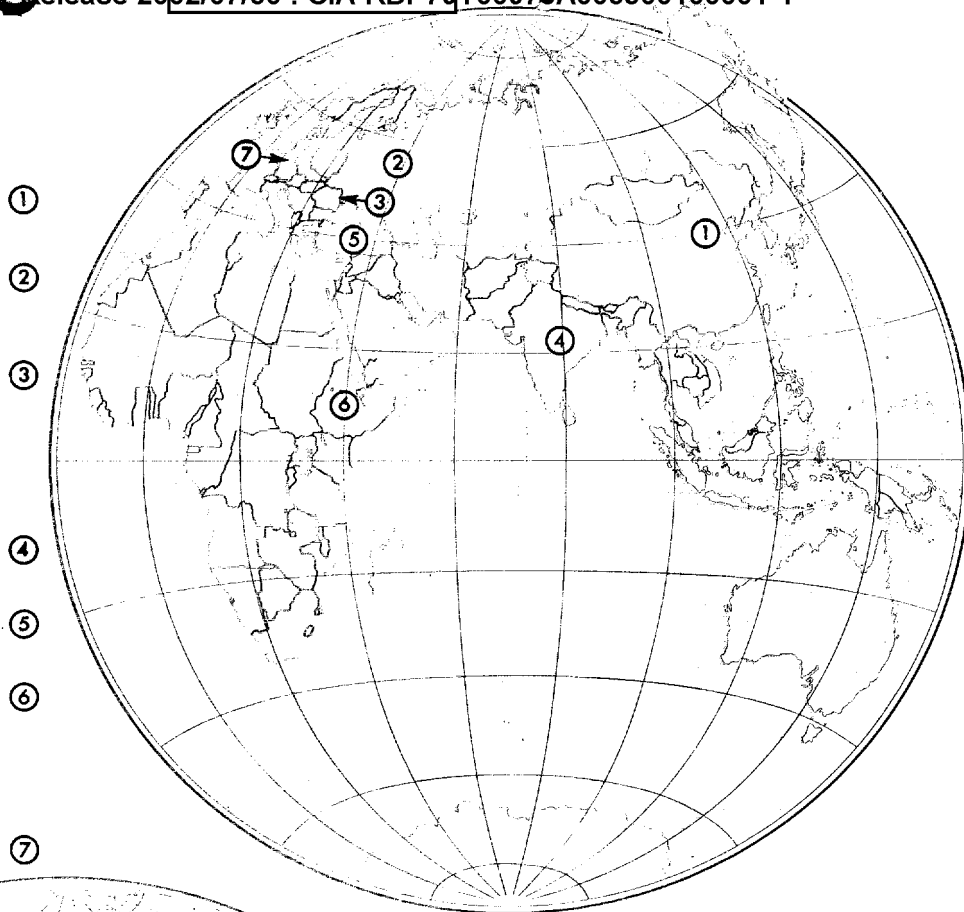
Indian Communist party claims membership nearly doubled in four months.

New approach to Turkey's economic problems suggested by West Germany.

Ethiopia may seek further US economic and military aid.

III. THE WEST

British - West German impasse on troop support costs continues.



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DAILY BRIEF

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I. THE COMMUNIST BLOC

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Communist China: Chou En-lai's resignation as Communist China's foreign minister does not affect his third-ranking position in the party hierarchy. Chou, who retains his post as premier, has been heavily burdened by serving in both jobs since 1949. The new foreign minister, Chen I, has been closely associated with Chou for many years and has been used by him in the past as a general utility man. The net result will probably be to improve the effectiveness of government operations.

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Tunisian incident--Soviet view: The USSR's initial propaganda reaction suggests that Moscow will exploit the French attack to promote disunity among NATO allies, and play up the USSR as the champion of Afro-Asian nationalism. Although Soviet exploitation of this incident will tend to alienate the French and divert attention from the USSR's campaign for summit talks, the Soviet leaders probably believe these disadvantages will be more than offset by political gains in Africa and Asia. Soviet propaganda moved promptly to implicate the United States in the French action by stressing the use of American-built aircraft.

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Rumania: Parts of eastern Rumania are still closed to Western observers more than three weeks after the first reports of peasant resistance there. French and Turkish officials in Bucharest claim to have confirmation of earlier reports that troops were used to suppress peasant resistance to the regime's collectivization campaign, and add

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that these troops have not been withdrawn. These reports remain uncorroborated. [REDACTED]

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II. ASIA-AFRICA

JK Communists in India gain: The Indian Communist party claims it has nearly doubled its membership in the past four months. It announced on 10 February that the party has 218,532 members, with the largest single concentration of 56,000 members in the Communist-governed state of Kerala. The new membership figures probably reflect largely the enrollment of long-time sympathizers rather than any significant increase in Communist influence. The Communists hope to begin competing with the ruling Congress party as a broadly based and "respectable" party. [REDACTED]

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JK Turkey's economic instability: A new approach to Turkey's serious economic problems has been suggested by West Germany. The German Foreign Ministry believes that a coordinated multilateral economic aid program to replace the present system of disconnected foreign credits, grants, and loans would promote Turkish economic stabilization. For such a program to be effective, Ankara must be persuaded to undertake devaluation and other unpopular measures, actions which the Turkish Government has resisted thus far. [REDACTED]

JK Ethiopia: The Ethiopian Government apparently plans to send a mission to the United States in about a month to request further economic and military assistance. There are indications that the Ethiopians are trying to exploit the Soviet offers of aid without strings made at the Afro-Asian Solidarity Conference in Cairo in December. [REDACTED]

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III. THE WEST

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British troop support costs: The impasse over the British demand that West Germany pay \$140,000,000 to support British forces in Germany continues. Bonn's offer, which would in effect give Britain \$52,000,000 over three years, has been rejected. British Foreign Office officials are looking for a compromise solution to lessen the bad effects of the dispute on NATO, WEU, and Anglo-German relations. (Page 5)

I. THE COMMUNIST BLOC

Chou En-lai Steps Down as Peiping's Foreign Minister

The appointment of Chen I as Peiping's foreign minister in place of Premier Chou En-lai, who has held the two posts concurrently since 1949, does not indicate that Chou has slipped from his third-ranking position in the party hierarchy. Chen is probably Chou's own choice for the post. He has been closer to Chou in recent years as a spokesman in both foreign and domestic affairs and as a personal friend. As a result, Chou's heavy workload will be lightened without reducing his control of foreign policy.

Chou may be seeking more time for party affairs as a member of the politburo's standing committee, the core of party power. With Mao Tse-tung aging, Chou may wish to make certain of his proper share in any division of Mao's powers with Liu Shao-chi and Teng Hsiao-ping. Liu and Teng rank just before and just after Chou in apparent power as Mao's principal lieutenants.

An additional factor in Chou's decision may have been failing health. He suggested this possibility in November 1956.

Chen I, a onetime military leader, may be regarded by Peiping as more suitable than Chou for negotiations with the United States or the Chinese Nationalists.



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II. ASIA-AFRICA

Indian Communist Party Doubles Membership in 1957

A determined membership drive instituted by the Communist party of India in 1957, following a liberalization of membership regulations to provide for less severe scrutiny of prospective members, has apparently almost doubled party membership in recent months. The party announced on 10 February that its membership had risen by 100,000 in the past four months to a total of 218,532 at present. The largest number of members in any single Indian state is 56,000 in Communist-governed Kerala.

Relaxation of membership regulations is part of a current Communist party reorganization, first outlined in May 1957. This reorganization eliminates some of the best known features of the party--such as the politburo and central committee--and replaces them with governing bodies similar to those of other political parties in India. The aim presumably is to broaden mass support by presenting the party as a respectable, "democratic" organization of Indian rather than international character.

The increase in membership probably derives mainly from the official enrollment of long-time sympathizers, rather than any significant new increase in Communist influence in India. The party can use these figures, however, to create an impression of growing strength and thereby add to its prestige.

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Bonn May Propose Multilateral Approach to Turkey's Economic Problems

Turkey's economic instability will probably be a primary subject for discussion when Turkish Foreign Minister Fatin Zorlu visits Bonn in mid-February. The West German Government, in anticipation of this meeting, has suggested a multilateral approach to Turkey's economic problems, probably through the Organization for European Economic Cooperation. Bonn feels that coordinated multilateral economic aid could induce Turkey to adopt a sounder economic program.

Turkey's economic position has steadily deteriorated since 1950. The government's extensive long-term investment program, financed primarily by short-term loans and credits, coupled with increasing consumer demand and an unrealistic pricing policy, has resulted in serious balance-of-payments problems and a steadily rising cost of living. Turkey's external debt is in excess of one billion dollars and its foreign trade deficit at the beginning of 1958 was about \$144,000,000.

Economic stabilization measures attempted during the past two years have been relatively ineffective. The Turkish Government opposes devaluation, is reluctant to reduce its public investment program, and refuses to align export commodity prices with the world market or broaden its income tax system to tap the agricultural sector of the economy.

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Ethiopia Reported Planning New Attempt to Obtain Increased US Aid

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[redacted] the Council of Ministers decided [redacted] to send a mission to the United States in about a month to solicit economic aid amounting to "several times" the present level--\$5,000,000 in 1957--as well as a military program of greater magnitude. The mission presumably will ask favorable action on an earlier request for US assistance for the Ethiopian Air Force.

The Ethiopians have in the past frequently expressed dissatisfaction with the level of US aid, especially military. Any new approach to the United States at this time would be designed to exploit the generalized offer of unconditional aid to underdeveloped countries advanced by Soviet representatives at the recent Afro-Asian Solidarity Conference in Cairo. An article in the government newspaper on 31 January interpreted the Cairo meeting as essentially economic and lauded the Soviet offer. Meanwhile, an Ethiopian Foreign Ministry spokesman recently told an American Embassy officer in Addis Ababa that the terms and conditions set forth under the Development Loan Fund compare unfavorably with Soviet financing. [redacted]

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III. THE WEST

Anglo-German Controversy Over Troop Support Costs

London's recall of its ambassadors to Bonn and NATO for consultations this week points up its concern at the continued German refusal to pay \$140,000,000 in support of British forces in Germany for the fiscal year beginning 1 April. Foreign Office officials, seeking German cooperation for the free trade area, are probably anxious to promote a compromise on support costs, but the Treasury and Defense Ministry evidently remain inflexible. The future of British forces in Germany is at stake.

Bonn's latest counterproposal, although initially rejected by London, may pave the way for a settlement. West Germany would in effect grant Britain about \$52,000,000 in budgetary aid spread over a three-year period by waiving interest payments on a proposed \$280,000,000 deposit in London against purchases of British arms and by reducing the interest rate on funds already advanced in prepayment of the German debt.

London, which has already received WEU approval to reduce its troops from 63,500 to 55,000 during the coming year, has announced that if it fails to receive the support costs another 5,000 will be withdrawn and the entire question of the level of British forces will be reconsidered. British press comment has suggested that British manpower in Germany might be reduced to 15,000. There is great apprehension among many other NATO members of the consequences for the alliance of failure to resolve the dispute. The general feeling in the special NATO committee on the problem is that the German offer does not go far enough.

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